Fiscal imbalance of States

1970. DR. T. SUBBARAMI REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether his Ministry has expressed serious concern over State finances, especially over consistent rise in revenue imbalance of State Governments;

(b) whether RBI has also expressed displeasure over borrowings by States through Special Purpose Vehicles to fund their financial deficit;

(c) if so, whether Central Government have stepped up to contain growth of State's debt liabilities; and

(d) if so, to what extent these steps have helped States to improve their finances?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Finance Ministry and Reserve Bank of India are indeed concerned about large revenue deficits of State Governments.

(c) and (d) Govt. of India has taken several measures like placing a cap on overall borrowings of the State governments, bringing borrowing through such Special Purpose Vehicles under discipline of Article 293 (3), Debt Swap Scheme for containing growth of States' debt liabilities. As a result of measures taken by GOI and States, growth rate in new borrowings have come down from 58.5 % in 1997-99 to 1.2% in 2002-04. Ratio of revenue deficit to revenue receipts has also declined from 26.29% in 1999-2000 to 21.97% in 2003-04 (RE).

Policy on domestic savings

1971. SHRI K. RAMA MOHANA RAO: Will the Minister of FINANCE be pleased to state:

(a) what steps Government have taken or propose to take to increase the domestic savings from the current level of 24 per cent to the level of 26 per cent;

(b) the domestic savings of the country during the last three years, year-wise;

(c) whether Government are considering of having a comprehensive policy with regrd to domestic savings; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (d) The estimates of domestic savings as compiled by the Central Statistical Organisation are available up to 2002-03. As per these estimates, the rate of domestic savings (the ratio of gross domestic savings to gross domestic product at current market prices) was 23.7 per cent, 23.5 per cent and 24.2 per cent in the years 2000-01, 2001-02 and 2002-03, respectively.

The policy of the Government has been to promote domestic savings in the country. The Government has been taking a number of steps from time to time in this direction. These, *inter alia*, include tax incentives on certain small savings instruments, launching of a Senior Citizens Savings Scheme, 2004 offering higher than market rates of interest and enactment of Fiscal Responsibility and Budget Management Act (FRBM). The FRBM Act mandates the Government to eliminate revenue deficit by March, 2009. The elimination of revenue deficit is expected to improve public sector savings, which are currently negative.

Formation of Independent Health Insurance Company

†1972. SHRI AJAY MAROO: Will the Minister of FINANCE be pleased to state:

(a) the achievements of public sector the insurance companies in the field of health insurance;

(b) whether Government have any proposal regarding formation of an Independent Health Insurance Company by public sector insurance companies jointly; and

(c) whether there is any special scheme to make health insurance more popular?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The public sector general insurance

†Original notice of the question was received in Hindi.